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Information Technology  
Association of America  
1401 Wilson Boulevard  
Suite 1100  
Arlington, VA 22209  
(703) 522-5055  
(703) 525-2279 (fax)

## PRESS RELEASE

### ITAA Says EU VAT Tax Could Flatten U.S. Online Business

January 24, 2002

For More Information Contact:  
Tinabeth Burton (703) 284-5305 [tburton@itaa.org](mailto:tburton@itaa.org)

Arlington, VA, January 24, 2002 – With the European Parliament set to vote next month on a proposal that would require non-European vendors to collect and remit a Value Added Tax (VAT) on the online purchases of their European customers, the Information Technology Association of America (ITAA) today termed the measure “discriminatory” and said it could place European markets at risk for many online firms.

In a letter to the U.S. Department of the Treasury, ITAA President Harris N. Miller said the EU VAT tax proposal would require non-European vendors to verify the location of purchasers and charge the VAT rate specific to their country location. Vendors within the EU countries do not need to take this extra verification step as they are only required to collect the VAT for the country in which the vendor is located. Miller called the verification step required discriminatory, adding that EU countries may apply the rules differently and noting that technology to perform this function in a fast, efficient manner does not exist.

Referring to the time it would take a non-European vendor to verify the customer's location and compute the VAT tax were the necessary technology to exist, Miller said, “Anything that slows the processing of Internet transactions by more than a few seconds will result in the loss of significant revenue....There is the risk that the EU may prescribe rules of compliance that, in effect, will close the European market to U.S. and other non-EU businesses for certain transactions.”

The Information Technology Association of America (ITAA) provides global public policy, business networking, and national leadership to promote the continued rapid growth of the IT industry. ITAA consists of over 500 corporate members throughout the U.S., and a global network of 41 countries' IT associations. The Association plays the leading role in issues of IT industry concern including information security, taxes and finance policy, digital intellectual property protection, telecommunications competition, workforce and education, immigration, online privacy and consumer protection, government IT procurement, human resources and e-commerce policy. ITAA members range from the smallest IT start-ups to industry leaders in the Internet, software, IT services, ASP, digital content, systems integration, telecommunications, and enterprise solution fields. For more information visit [www.itaa.org](http://www.itaa.org).

Western Region Office  
1700 S. El Camino Real  
Suite 406  
San Mateo, CA 94402  
(650) 357-7728  
(650) 574-2334 (fax)

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